

CITY OF CLEARWATER, KANSAS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2015

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
Clearwater, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clearwater, Kansas (City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clearwater, Kansas, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 14 to the financial statements, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of January 1, 2015. Our opinions are not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedule of City's proportionate share of the net pension liability and the City contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

George, Bowerman & Noel, P.A.

Wichita, Kansas
May 26, 2016

CITY OF CLEARWATER, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2015

As management of the City of Clearwater, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015.

FINANCIAL HIGHLIGHTS

- The total assets of the City exceeded its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,417,144 (net position). Of this amount, \$665,951 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- The City's total net position increased by \$161,409 of which the governmental activities increased net position by \$139,702 and business-type activities increased net position by \$21,707.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,189,781 compared to a combined ending fund balance of \$912,690 at December 31, 2014. Of the current year fund balance, \$334,993 is restricted, \$254,539 is committed, \$69,083 is assigned and \$531,166 is unassigned.
- At year-end, the business-type activities of the City reported net position of \$2,137,930.
- At the end of the current fiscal year, total fund balance for the General Fund was \$531,166, or approximately 37%, of the total General Fund expenditures for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in the future fiscal periods (e.g., earned but not used compensated absences).

Both of the government-wide financial statements present the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public improvements, street improvement and maintenance, planning and zoning, recreation, sanitation services and other activities. The business-type activities include water and sewer utility services.

The government-wide financial statements include not only the City itself, but also the Clearwater Public Building Commission and Clearwater Public Library, legally separate entities for which the City is financially accountable. The Clearwater Public Building Commission is considered a blended component unit and the financial information for that entity is included within the City's financial statements. Financial information for the Clearwater Public Library is reported separately from the financial information presented for the primary government itself since it is considered a discretely presented component unit.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 21 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Debt Service and Capital Project Funds, all of which are considered major funds. Data from the remaining 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these

nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The basic governmental fund financial statements can be found on pages 15 to 20 of this report.

Proprietary Funds – The City maintains only one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for both enterprise funds, which are considered major funds of the City. The proprietary fund financial statements can be found on pages 21 to 25 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 to 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by \$6,417,144 as of December 31, 2015.

The significant portion of the City's net position (51%) reflects net position restricted for debt service and other functional activity purposes (\$3,250,091). Of this amount, \$2,984,424 is comprised of special assessment taxes receivable, which are restricted for debt service purposes.

The City's investment in capital assets (e.g., land, buildings and improvements, machinery and equipment and construction work in process), less any debt used to acquire those assets that is still outstanding, represents about 39% of the City's total net position at December 31, 2015. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF CLEARWATER'S NET POSITION

December 31, 2015
(with comparative amounts at December 31, 2014)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 5,667,550	\$ 4,859,078	\$ 536,174	\$ 476,172	\$ 6,203,724	\$ 5,335,250
Capital assets	<u>5,061,010</u>	<u>4,350,394</u>	<u>2,543,654</u>	<u>2,662,300</u>	<u>7,604,664</u>	<u>7,012,694</u>
Total assets	<u>10,728,560</u>	<u>9,209,472</u>	<u>3,079,828</u>	<u>3,138,472</u>	<u>13,808,388</u>	<u>12,347,944</u>
Deferred outflows of resource	<u>68,831</u>	<u>—</u>	<u>28,113</u>	<u>—</u>	<u>96,944</u>	<u>—</u>
Long-term liabilities	4,712,523	3,774,408	903,348	828,114	5,615,871	4,602,522
Other liabilities	<u>914,836</u>	<u>105,027</u>	<u>15,322</u>	<u>17,434</u>	<u>930,158</u>	<u>122,461</u>
Total liabilities	<u>5,627,359</u>	<u>3,879,435</u>	<u>918,670</u>	<u>845,548</u>	<u>6,546,029</u>	<u>4,724,983</u>
Deferred inflows of resources	<u>890,818</u>	<u>818,524</u>	<u>51,341</u>	<u>24,757</u>	<u>942,159</u>	<u>843,281</u>
Net position:						
Net investment in capital assets	653,724	643,510	1,847,378	1,883,134	2,501,102	2,526,644
Restricted	3,250,091	3,357,321	—	—	3,250,091	3,357,321
Unrestricted	<u>375,399</u>	<u>510,682</u>	<u>290,552</u>	<u>385,033</u>	<u>665,951</u>	<u>895,715</u>
Total net position	<u>\$ 4,279,214</u>	<u>\$ 4,511,513</u>	<u>\$ 2,137,930</u>	<u>\$ 2,268,167</u>	<u>\$ 6,417,144</u>	<u>\$ 6,779,680</u>

The City's overall financial position improved, with an increase in net position of \$161,409 for the current year. Of that increase, an increase of \$139,702 can be attributed to governmental activities and an increase of \$21,707 can be attributed to business-type activities. The balance of net position unrestricted of \$665,951 may be used to meet the City's ongoing obligations to citizens and creditors.

The net position of the business-type activities increased by \$21,707 for 2015 which is comparable to the increase for 2014 of \$33,621, before contributions of water and sewer lines from the municipality.

Analysis of the City's operations – The following table provides a summary of the City's operations for the year ended December 31, 2015 and December 31, 2014.

CITY OF CLEARWATER'S CHANGES IN NET POSITION

Year Ended December 31, 2015
(with comparative amounts for the year ended December 31, 2014)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 496,082	\$ 406,788	\$ 701,055	\$ 698,355	\$ 1,197,137	\$ 1,105,143
Operating grants and contributions	250,192	250,444	—	—	250,192	250,444
Capital grants and contributions	17,477	1,050,893	—	—	17,477	1,050,893

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General revenues:						
Property taxes	\$ 884,728	\$ 818,622	\$ —	\$ —	\$ 884,728	\$ 818,622
Sales taxes	398,192	373,537	—	—	398,192	373,537
Franchise fees	156,587	164,260	—	—	156,587	164,260
Investment earnings	<u>6,029</u>	<u>4,673</u>	<u>6,743</u>	<u>6,558</u>	<u>12,772</u>	<u>11,231</u>
Total revenues	<u>2,209,287</u>	<u>3,069,217</u>	<u>707,798</u>	<u>704,913</u>	<u>2,917,085</u>	<u>3,774,130</u>
Expenses:						
General government	424,855	277,885	—	—	424,855	277,885
Public safety	721,179	791,872	—	—	721,179	791,872
Highways and streets	254,886	231,330	—	—	254,886	231,330
Health and sanitation	147,115	138,027	—	—	147,115	138,027
Culture and recreation	414,270	483,787	—	—	414,270	483,787
Economic development	—	41,156	—	—	—	41,156
Interest on long-term debt	117,280	135,328	—	—	117,280	135,328
Water Utility	—	—	363,865	323,835	363,865	323,835
Sewer Utility	<u>—</u>	<u>—</u>	<u>312,226</u>	<u>336,228</u>	<u>312,226</u>	<u>336,228</u>
Total expenses	<u>2,079,585</u>	<u>2,099,385</u>	<u>676,091</u>	<u>660,063</u>	<u>2,755,676</u>	<u>2,759,448</u>
Increase (decrease) in net position before transfers	129,702	969,832	31,707	44,850	161,409	1,014,682
Transfers in (out)	<u>10,000</u>	<u>(262,802)</u>	<u>(10,000)</u>	<u>262,802</u>	<u>—</u>	<u>—</u>
Increase (decrease) in net position	<u>139,702</u>	<u>707,030</u>	<u>21,707</u>	<u>307,652</u>	<u>161,409</u>	<u>1,014,682</u>
Net position, beginning of year:						
As previously reported	4,511,513	3,804,483	2,268,167	1,960,515	6,779,680	5,764,998
Adjustment for net Pension liability	<u>(372,001)</u>	<u>—</u>	<u>(151,944)</u>	<u>—</u>	<u>(523,945)</u>	<u>—</u>
As restated	<u>4,139,512</u>	<u>3,804,483</u>	<u>2,116,223</u>	<u>1,960,515</u>	<u>6,255,735</u>	<u>5,764,998</u>
Net position, end of year	<u>\$ 4,279,214</u>	<u>\$ 4,511,513</u>	<u>\$ 2,137,930</u>	<u>\$ 2,268,167</u>	<u>\$ 6,417,144</u>	<u>\$ 6,779,680</u>

Total revenues for the governmental activities decreased by \$859,930 for the current year, or approximately 28%.

The charges for services revenue category increased by \$89,294, which can be attributed to an increase in sanitation and recycle fee charges of \$21,609 and building permits and other permit fees increasing by \$49,866.

Operating grants and contributions were consistent with prior years and decreased by only \$252 for 2015.

Capital grants and contribution revenues decreased by \$1,033,416, which is primarily attributed to decreased contributions related to special assessments of \$1,025,570.

Total general revenue sources increased by \$84,444 for 2015. Indications of an improving economic environment are suggested with sales taxes increasing \$24,655. Property taxes increased by \$66,106 as anticipated in the annual budgeting process. Stagnant investment rates and available investment balances reflected only a \$1,356 increase in interest earnings for 2015. Franchise fees had a reduction of \$7,673 for 2015 due to a relatively mild summer.

Total expenses for the governmental activities decreased by \$19,800 for 2015. General government expenses increased by \$146,970 with the major change attributable to the payment of property and special assessment taxes of \$98,480 on the lots purchased by the City in the Chisholm Trail residential subdivision in 2014. Public safety expenses decreased \$70,693 for 2015 due mainly to a decrease in police and municipal court salaries of \$14,173, a reduction in accrued compensated absences costs of \$16,333, a reduction in training seminars of \$4,395 and reduced fuel consumption costs of \$5,076. Highways and streets expenditures increased by \$23,556 for 2015 with street repair materials increasing \$7,950, salaries and wages increasing \$4,193 and accrued compensated absences increasing \$948. Culture and recreation expenses decreased by \$69,517 with capital outlay costs attributing to \$53,134 of the decrease. Economic development costs decreased by \$41,156, which was related to the City purchasing 19 lots in the Chisholm Ridge residential housing addition during 2014. Interest expense on long-term indebtedness decreased by \$18,048 for 2015.

The business-type activity operating revenues increased \$2,700 for 2015 however, water consumption decreased about 1%. Both the water and sewer operations reflected a 1% rate increase for 2015. Personnel costs decreased by \$5,545 but operating costs increased \$21,645. In addition, depreciation expense also decreased by \$6,394 for 2015. The Water Utility net position decreased by \$14,392 and the Sewer Utility net position increased by \$36,099 for 2015.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds – The focus of the City's funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,189,781 and represents an increase from 2014 of \$277,091 primarily due to the issuance of general obligation bonds of \$940,000 to fund certain capital projects for 2015.

The General Fund is the primary operating fund of the City. At December 31, 2015 the total fund balance of the General Fund was \$531,166. As a measure of the General Fund's liquidity, the total fund balance represents approximately 37% of the total General Fund expenditures for 2015.

The Debt Service Fund reflects an increase of fund balance of \$29,278 for the current year as compared to an increase of \$14,862 for the prior year. Debt Service Fund expenditures increased \$59,489 for 2015 from the 2014 amount. The City entered into a general obligation bond refunding transaction during 2015 allowing the City to take advantage of the current low municipal bond interest rates.

The Capital Projects Fund balance at year-end is \$57,056. During 2015, \$940,000 of general obligation bonds was issued to provide permanent financing for certain City improvement projects. The City incurred \$896,076 in project costs during 2015 principally related to the Park Glen Estates residential development project and sewer system improvements.

Proprietary funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Water and Sewer Utility operating revenues reflect a slight increase of \$2,700 due to rate increases of 1% for both water and sewer utilities. Total operating expenses increased by \$9,706 for 2015. Unrestricted net position of the Water and Sewer Utility were \$290,552 at year-end compared to \$385,033 for the prior year-end. Net position invested in capital assets at year-end was \$1,847,378, a decrease of \$35,756.

General Fund Budgetary Highlights – The General Fund total actual revenues exceeded the total amount anticipated in the 2015 budget by \$183,384, or approximately 14%. Budgetary expenditures totaled \$1,431,742, which represented 91% of the budgeted expenditures for 2015. The result was an increase in budgetary basis fund balance for the General Fund in the amount of \$79,183 (compared to an increase in 2014 of \$11,880). The General Fund budgetary fund balance at year-end was \$470,413 with the 2015 budget anticipating a carryover balance of \$356,569.

CAPITAL ASSETS

The City’s investment in capital assets as of December 31, 2015 amounts to \$7,604,664 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment and construction work in process. Major capital asset events during the current fiscal year included the following:

- During 2015, governmental activities invested \$1,029,924 in capital assets.
- Construction work in process increased by \$896,076 related to the sewer system improvements, Park Glen Estates infrastructure improvements and 135th Street improvements.
- The Police Department acquired equipment totaling \$9,544 for new computer equipment, Tasers and a radar unit.
- The Fire Department acquired a new pump at a cost of \$9,273.
- The EMS Department acquired a new stretcher and backboards totaling \$2,701.
- Park improvements to the softball field and playground area and equipment totaling \$104,967 were incurred during 2015.
- ADA improvements were made to the swimming pool costing \$4,893.
- The Water Utility purchased a new well motor and chlorinator at a cost of \$12,147.
- The Sewer Utility purchased a new mower at a cost of \$2,930.

Capital Assets at Year-End
Net of Accumulated Depreciation
December 31, 2015
(with comparative amounts at December 31, 2014)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 580,732	\$ 580,732	\$ 64,369	\$ 64,369	\$ 645,101	\$ 645,101
Buildings	686,929	713,382	46,425	50,102	733,354	763,484
Improvements other than buildings	591,693	578,359	2,384,184	2,487,533	2,975,877	3,065,892
Machinery and equipment	462,900	644,954	48,676	60,296	511,576	566,107
Infrastructure	1,842,680	1,972,110	—	—	1,842,680	1,972,110
Construction work in progress	896,076	—	—	—	896,076	—
Total	<u>\$ 5,061,010</u>	<u>\$ 4,350,394</u>	<u>\$ 2,543,654</u>	<u>\$ 2,662,300</u>	<u>\$ 7,604,664</u>	<u>\$ 7,012,694</u>

Additional information on the City's capital assets can be found in Note 3 on pages 39 to 42 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total general obligation bonded debt obligations outstanding of \$4,623,000 and outstanding commitments under capital lease arrangements of \$364,908. The Sewer Fund has outstanding commitments for \$696,276 of the outstanding general obligation bonds. During 2015 the City issued \$1,560,000 and retired \$897,110 of general obligation bonds. In addition, temporary notes in the amount of \$510,000 were issued during 2015. The City retired \$81,142 of outstanding capitalized lease obligations during 2015.

Additional information on the City's long-term debt can be found in Note 4 on pages 42 to 46 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the 2016 budget, General Fund revenues are budgeted to increase \$398,460, or approximately 30%, from the 2015 budgeted revenues. Expenditures are budgeted for 2016 at an increase of \$504,640, or 32%, from the 2015 budget. Ad valorem property taxes account for approximately 30% of the total revenue sources for the General Fund's 2016 budget. The total City tax levy for the 2016 budget is 53.999 mills compared to the 2015 budget of 60.269 mills. The General Fund increased by 19.709 mills, the Debt Service Fund decreased by 5.450 mills, and the Employee Benefits Fund decreased by 12.148 mills and all other City tax levy funds increased a combined 2.105 mills. Certified assessed valuations, on which ad valorem property taxes are levied, increased \$259,277, or approximately 2% from the 2015 budget to the 2016 budget with the total assessed valuation for the City being \$14,632,798.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Clerk, at 129 E. Ross, P.O. Box 453, Clearwater, Kansas 67026, or call (620) 584-2311.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CLEARWATER, KANSAS

STATEMENT OF NET POSITION

December 31, 2015

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit
<u>ASSETS</u>				
Cash and investments	\$ 1,978,979	\$ 472,605	\$ 2,451,584	\$ 71,344
Receivables:				
Property taxes	767,155	—	767,155	—
Special assessment taxes	2,796,444	—	2,796,444	—
Sales taxes	32,481	—	32,481	—
Franchise fees	28,272	—	28,272	—
Trade accounts, net	21,960	63,569	85,529	—
Due from other funds	1,178	—	1,178	—
Restricted cash held by fiscal agent	13,188	—	13,188	—
Prepaid items	27,893	—	27,893	—
Capital assets:				
Land	580,732	64,369	645,101	—
Buildings	1,055,551	98,021	1,153,572	128,979
Improvements other than buildings	1,929,585	4,825,440	6,755,025	4,885
Infrastructure	2,843,411	—	2,843,411	—
Machinery and equipment	1,910,186	326,810	2,236,996	29,329
Construction work in process	896,076	—	896,076	—
Less accumulated depreciation	(4,154,531)	(2,770,986)	(6,925,517)	(91,628)
Total assets	<u>10,728,560</u>	<u>3,079,828</u>	<u>13,808,388</u>	<u>142,909</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows related to pensions	<u>68,831</u>	<u>28,113</u>	<u>96,944</u>	<u>—</u>
<u>LIABILITIES</u>				
Accounts payable	363,089	10,289	373,378	41
Accrued interest payable	28,559	5,033	33,592	—
Matured bonds and coupons payable	13,188	—	13,188	—
Temporary notes payable	510,000	—	510,000	—
Noncurrent liabilities:				
Due within one year	391,333	115,770	507,103	—
Due in more than one year	<u>4,321,190</u>	<u>787,578</u>	<u>5,108,768</u>	<u>—</u>
Total liabilities	<u>5,627,359</u>	<u>918,670</u>	<u>6,546,029</u>	<u>41</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources:				
Deferred property taxes receivable	767,155	—	767,155	—
Deferred inflows related to pensions	77,538	31,670	109,208	—
Premium on general obligation bonds	<u>46,125</u>	<u>19,671</u>	<u>65,796</u>	<u>—</u>
Total deferred inflows of resources	<u>890,818</u>	<u>51,341</u>	<u>942,159</u>	<u>—</u>
<u>NET POSITION</u>				
Net investment in capital assets	653,724	1,847,378	2,501,102	71,565
Restricted for:				
Debt service	2,984,424	—	2,984,424	—
General government	101,241	—	101,241	—
Public safety	67,434	—	67,434	—
Street maintenance	26,608	—	26,608	—
Culture and recreation	70,384	—	70,384	—
Unrestricted	<u>375,399</u>	<u>290,552</u>	<u>665,951</u>	<u>71,303</u>
Total net position	<u>\$ 4,279,214</u>	<u>\$ 2,137,930</u>	<u>\$ 6,417,144</u>	<u>\$ 142,868</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

STATEMENT OF ACTIVITIES

Year ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit
Governmental Activities:								
General government	\$ 424,855	\$ 171,083	\$ —	\$ —	\$ (253,772)	\$ —	\$ (253,772)	\$ —
Public safety	721,179	67,399	91,968	—	(561,812)	—	(561,812)	—
Highways and streets	254,886	—	94,832	—	(160,054)	—	(160,054)	—
Health and sanitation	147,115	197,111	—	—	49,996	—	49,996	—
Culture and recreation	414,270	60,489	63,392	17,477	(272,912)	—	(272,912)	—
Interest on long-term debt	117,280	—	—	—	(117,280)	—	(117,280)	—
Total Governmental Activities	<u>\$ 2,079,585</u>	<u>\$ 496,082</u>	<u>\$ 250,192</u>	<u>\$ 17,477</u>	<u>(1,315,834)</u>	<u>—</u>	<u>(1,315,834)</u>	<u>—</u>
Business-Type Activities:								
Water Utility	\$ 363,865	\$ 353,605	\$ —	\$ —	—	(10,260)	(10,260)	—
Sewer Utility	312,226	347,450	—	—	—	35,224	35,224	—
Total Business-Type Activities	<u>\$ 676,091</u>	<u>\$ 701,055</u>	<u>\$ —</u>	<u>\$ —</u>	<u>—</u>	<u>24,964</u>	<u>24,964</u>	<u>—</u>
Component Unit:								
Clearwater Public Library	<u>\$ 94,289</u>	<u>\$ 3,885</u>	<u>\$ 17,067</u>	<u>\$ 863</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(72,474)</u>
General Revenues and Transfers:								
General Revenues:								
Property taxes levied for:								
General purposes					696,471	—	696,471	—
Debt service					121,136	—	121,136	—
Capital improvements					67,121	—	67,121	—
Sales taxes					398,192	—	398,192	—
Franchise taxes					156,587	—	156,587	—
Payments from City of Clearwater					—	—	—	77,096
Investment earnings					6,029	6,743	12,772	261
Transfers in (out)					10,000	(10,000)	—	—
Total general revenues and transfers					<u>1,455,536</u>	<u>(3,257)</u>	<u>1,452,279</u>	<u>77,357</u>
Change in net position					<u>139,702</u>	<u>21,707</u>	<u>161,409</u>	<u>4,883</u>
Net position at beginning of year:								
As previously reported					4,511,513	2,268,167	6,779,680	137,985
Adjustment for net pension liability					(372,001)	(151,944)	(523,945)	—
As restated					<u>4,139,512</u>	<u>2,116,223</u>	<u>6,255,735</u>	<u>137,985</u>
Net position at end of year					<u>\$ 4,279,214</u>	<u>\$ 2,137,930</u>	<u>\$ 6,417,144</u>	<u>\$ 142,868</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

CITY OF CLEARWATER, KANSAS
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and short-term investments	\$ 503,800	\$ 69,326	\$ 873,156	\$ 532,697	\$ 1,978,979
Cash held by fiscal agent	–	13,188	–	–	13,188
Due from other funds	1,178	–	–	–	1,178
Property taxes receivable	631,194	34,910	–	101,051	767,155
Special assessment taxes receivable	–	2,796,444	–	–	2,796,444
Accounts receivable, net	19,448	–	–	2,512	21,960
Sales tax receivable	32,481	–	–	–	32,481
Franchise fees receivable	28,272	–	–	–	28,272
Total assets	<u>\$1,216,373</u>	<u>\$ 2,913,868</u>	<u>\$ 873,156</u>	<u>\$ 636,260</u>	<u>\$ 5,639,657</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 54,013	\$ –	\$ 306,100	\$ 2,976	\$ 363,089
Matured bonds and coupons payable	–	13,188	–	–	13,188
Temporary notes payable	–	–	510,000	–	510,000
Total liabilities	<u>54,013</u>	<u>13,188</u>	<u>816,100</u>	<u>2,976</u>	<u>886,277</u>
Deferred inflows of resources:					
Deferred property taxes receivable	631,194	34,910	–	101,051	767,155
Deferred special assessment taxes receivable	–	2,796,444	–	–	2,796,444
Total deferred inflows of resources	<u>631,194</u>	<u>2,831,354</u>	<u>–</u>	<u>101,051</u>	<u>3,563,599</u>
Fund balances:					
Restricted for:					
General government	–	–	–	101,241	101,241
Public safety	–	–	–	67,434	67,434
Street maintenance	–	–	–	26,608	26,608
Culture and recreation	–	–	–	70,384	70,384
Debt service	–	69,326	–	–	69,326
Committed for:					
Capital improvements	–	–	57,056	197,483	254,539
Assigned for:					
General government	–	–	–	60,493	60,493
Culture and recreation	–	–	–	8,590	8,590
Unassigned	<u>531,166</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>531,166</u>
Total fund balances	<u>531,166</u>	<u>69,326</u>	<u>57,056</u>	<u>532,233</u>	<u>1,189,781</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$1,216,373</u>	<u>\$ 2,913,868</u>	<u>\$ 873,156</u>	<u>\$ 636,260</u>	<u>\$ 5,639,657</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

December 31, 2015

Total Governmental Fund Balances \$ 1,189,781

Amounts reported for governmental activities in the
statement of net position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds (capital assets net of accumulated
depreciation):

Cost	\$ 9,215,541	
Accumulated depreciation	<u>(4,154,531)</u>	5,061,010

Pension contributions are reported as an expense in the
governmental funds and as a deferred outflow of
resources in the statement of net position 68,831

Pension fundings are reported as a revenue in the
governmental funds and as a deferred inflow of
resources in the statement of net position (77,538)

Other assets not available to pay for current period
expenditures and therefore are not reported in
the governmental funds:

Prepaid items	27,893
Special assessments receivable	2,796,444

Long-term liabilities are not due and payable in the
current period and therefore are not reported
in the funds:

Accrued interest payable on general obligation bonds	28,559	
Deferred inflows of resources – premium on general obligation bonds payable	46,125	
Compensated absences payable	51,918	
General obligation bonds payable	3,923,724	
Capital lease obligations payable	364,908	
Net pension liability payable	<u>371,973</u>	(4,787,207)

Net Position of Governmental Activities \$ 4,279,214

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS**

Year ended December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 799,977	\$ 134,976	\$ –	\$ 367,011	\$ 1,301,964
Special assessment taxes	–	288,479	–	–	288,479
Intergovernmental	101,597	–	–	116,137	217,734
Licenses and permits	230,865	–	–	–	230,865
Charges for services	248,139	–	–	25,612	273,751
Fines and forfeitures	45,343	–	–	–	45,343
Use of money and property	38,838	412	1,508	2,124	42,882
Miscellaneous	<u>36,511</u>	<u>–</u>	<u>–</u>	<u>74,077</u>	<u>110,588</u>
Total revenues	<u>1,501,270</u>	<u>423,867</u>	<u>1,508</u>	<u>584,961</u>	<u>2,511,606</u>
Expenditures:					
Current:					
General government	371,649	7,896	–	39,113	418,658
Public safety	566,332	–	–	130,709	697,041
Highways and streets	31,690	–	–	99,404	131,094
Health and sanitation	145,242	–	–	1,873	147,115
Culture and recreation	235,974	–	–	170,610	406,584
Capital improvements	–	–	896,076	–	896,076
Debt Service	<u>80,855</u>	<u>407,702</u>	<u>3,188</u>	<u>26,085</u>	<u>517,830</u>
Total expenditures	<u>1,431,742</u>	<u>415,598</u>	<u>899,264</u>	<u>467,794</u>	<u>3,214,398</u>
Revenues over (under) expenditures	<u>69,528</u>	<u>8,269</u>	<u>(897,756)</u>	<u>117,167</u>	<u>(702,792)</u>
Other financing sources (uses):					
General obligation bonds issued	–	–	940,000	–	940,000
General obligation refunding bonds issued	–	620,000	–	–	620,000
Net premium on debt issues	–	–	14,812	–	14,812
Discount on refunding general obligation bonds	–	(4,960)	–	–	(4,960)
Payment to refunding bonds escrow agent	–	(599,969)	–	–	(599,969)
Transfers in	10,000	5,938	–	–	15,938
Transfers out	<u>–</u>	<u>–</u>	<u>(5,938)</u>	<u>–</u>	<u>(5,938)</u>
Total other financing sources (uses)	<u>10,000</u>	<u>21,009</u>	<u>948,874</u>	<u>–</u>	<u>979,883</u>
Revenues and other sources over expenditures and other uses	<u>79,528</u>	<u>29,278</u>	<u>51,118</u>	<u>117,167</u>	<u>277,091</u>
Fund balances (deficits), beginning of year	<u>451,638</u>	<u>40,048</u>	<u>5,938</u>	<u>415,066</u>	<u>912,690</u>
Fund balances, end of year	<u>\$ 531,166</u>	<u>\$ 69,326</u>	<u>\$ 57,056</u>	<u>\$ 532,233</u>	<u>\$ 1,189,781</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES**

Year Ended December 31, 2015

Net Change in Fund Balances – Total Governmental Funds \$ 277,091

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. In the current period, these
amounts are:

Capital outlays	\$ 1,029,925
Depreciation	<u>(319,309)</u>

Excess of capital outlays over depreciation	710,616
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In the statement of activities, the sale of bonds is reported as a long-term liability, whereas in the governmental funds, the proceeds increase financial resources.	(1,560,000)
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In the statement of activities, the net premium on the sale of bonds is reported as deferred inflow of resources whereas in the governmental funds, the net premium is reported as increase in financial resources	(9,852)
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In the statement of activities, the amortization of the bond premium is reported as a decrease to interest expense, whereas in the governmental fund, there is no amortization due to the total premium being reported as a financial resource	6,173
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In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due	16,094
--	--------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	
General obligation bond payment	300,119
Capital leases payment	81,142
General obligation bond payments to refunding escrow agent	<u>596,991</u>

Total payments on long-term liabilities	978,252
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Pension contributions is an expenditure in the governmental funds but reduces the net pension liability in the statement of net position. Additionally, the effect of changes in deferred inflows and outflows for pensions are only recorded in the statement of activities.	(8,679)
--	---------

Special assessments are not considered available to liquidate liabilities of the current period. However, they are recognized as revenue in the Statement of Activities as soon as the related improvement is completed and the special assessments are levied	(302,319)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:	
Prepaid items	16,720
Compensated absences payable	<u>15,606</u>

Total	<u>32,326</u>
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Change in Net Position of Governmental Activities	<u>\$ 139,702</u>
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The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS
(continued on next page)**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 756,740	\$ 756,740	\$ 798,915	\$ 42,175
Intergovernmental	99,941	99,941	101,597	1,656
Licenses, fees and permits	162,400	162,400	231,583	69,183
Charges for services	234,830	234,830	248,139	13,309
Fines and forfeitures	38,030	38,030	45,343	7,313
Use of money and property	23,100	23,100	38,837	15,737
Miscellaneous	2,500	2,500	36,204	33,704
Reimbursements	–	–	307	307
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>–</u>
 Total revenues and other sources	 <u>1,327,541</u>	 <u>1,327,541</u>	 <u>1,510,925</u>	 <u>183,384</u>
Expenditures, encumbrances and other uses:				
General government:				
Administration	246,782	246,782	364,011	(117,229)
Personnel development	207,055	207,055	7,638	199,417
Debt service	<u>34,113</u>	<u>34,113</u>	<u>37,235</u>	<u>(3,122)</u>
 Total general government	 <u>487,950</u>	 <u>487,950</u>	 <u>408,884</u>	 <u>79,066</u>
Public safety:				
Police	406,375	406,375	371,818	34,557
Emergency volunteer services – ambulance	72,080	72,080	81,429	(9,349)
Emergency volunteer services – fire	49,400	49,400	53,794	(4,394)
Municipal Court	70,750	70,750	59,292	11,458
Debt service	<u>63,177</u>	<u>63,177</u>	<u>43,620</u>	<u>19,557</u>
 Total public safety	 <u>661,782</u>	 <u>661,782</u>	 <u>609,953</u>	 <u>51,829</u>

CITY OF CLEARWATER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

(continued from previous page)

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Highways and streets:				
Street lights	\$ 22,776	\$ 22,776	\$ 20,603	\$ 2,173
Health and sanitation:				
Sanitation	<u>142,898</u>	<u>142,898</u>	<u>145,242</u>	<u>(2,344)</u>
Public Works:				
Shop	<u>13,700</u>	<u>13,700</u>	<u>11,087</u>	<u>2,613</u>
Culture and recreation:				
Parks	131,729	131,729	140,096	(8,367)
Aquatic Center	79,105	79,105	57,828	21,277
Community/Senior Center	19,265	19,265	22,945	(3,680)
Historical museum	10,025	10,025	9,448	577
Library	<u>8,700</u>	<u>8,700</u>	<u>5,656</u>	<u>3,044</u>
Total culture and recreation	<u>248,824</u>	<u>248,824</u>	<u>235,973</u>	<u>12,851</u>
Total expenditures, encumbrances and other uses	<u>1,577,930</u>	<u>1,577,930</u>	<u>1,431,742</u>	<u>146,188</u>
Revenues and other sources over (under) expenditures, encumbrances and other uses	(250,389)	(250,389)	79,183	329,572
Fund balance, beginning of year	<u>250,389</u>	<u>250,389</u>	<u>391,230</u>	<u>140,841</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 470,413</u>	<u>\$ 470,413</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS
STATEMENT OF NET POSITION – ALL ENTERPRISE FUNDS
December 31, 2015

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Waterworks System</u>	<u>Sewer System</u>	<u>Total Enterprise Funds</u>
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 230,395	\$ 242,210	\$ 472,605
Trade accounts receivable	<u>28,044</u>	<u>35,525</u>	<u>63,569</u>
Total current assets	<u>258,439</u>	<u>277,735</u>	<u>536,174</u>
Noncurrent assets:			
Capital assets:			
Land	15,450	48,919	64,369
Buildings	82,527	15,494	98,021
Improvements other than buildings	1,754,240	3,071,200	4,825,440
Machinery	<u>162,434</u>	<u>164,376</u>	<u>326,810</u>
	2,014,651	3,299,989	5,314,640
Less accumulated depreciation	<u>(1,096,363)</u>	<u>(1,674,623)</u>	<u>(2,770,986)</u>
Capital assets, net	<u>918,288</u>	<u>1,625,366</u>	<u>2,543,654</u>
Deferred Outflows of Resources:			
Deferred outflows related to pensions	<u>16,480</u>	<u>11,633</u>	<u>28,113</u>
Total assets	<u>1,193,207</u>	<u>1,914,734</u>	<u>3,107,941</u>

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 9,284	\$ 1,005	\$ 10,289
Compensated absences payable	26,441	4,597	31,038
Current portion of general obligation bonds payable	–	84,732	84,732
Accrued interest payable	–	5,033	5,033
Total current liabilities	<u>35,725</u>	<u>95,367</u>	<u>131,092</u>
Noncurrent liabilities:			
Long-term portion of compensated absences payable	23,156	946	24,102
Long-term portion of general obligation bonds payable	–	611,544	611,544
Net pension liability	<u>89,064</u>	<u>62,868</u>	<u>151,932</u>
Total noncurrent liabilities	<u>112,220</u>	<u>675,358</u>	<u>787,578</u>
Total liabilities	<u>147,945</u>	<u>770,725</u>	<u>918,670</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	18,565	13,105	31,670
Premium on general obligation bonds	–	19,671	19,671
Total deferred inflows of resources	<u>18,565</u>	<u>32,776</u>	<u>51,341</u>
<u>NET POSITION</u>			
Net position:			
Invested in capital assets, net	918,288	929,090	1,847,378
Unrestricted	<u>108,409</u>	<u>182,143</u>	<u>290,552</u>
Total net position	<u>\$ 1,026,697</u>	<u>\$ 1,111,233</u>	<u>\$ 2,137,930</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION –
ALL ENTERPRISE FUNDS

Year ended December 31, 2015

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 352,090	\$ 347,040	\$ 699,130
Miscellaneous	<u>1,515</u>	<u>410</u>	<u>1,925</u>
Total operating revenues	<u>353,605</u>	<u>347,450</u>	<u>701,055</u>
Operating expenses:			
Personnel services	189,351	134,260	323,611
Contractual services	61,637	43,243	104,880
Commodities	75,251	13,198	88,449
Depreciation	<u>37,626</u>	<u>98,493</u>	<u>136,119</u>
Total operating expenses	<u>363,865</u>	<u>289,194</u>	<u>653,059</u>
Operating income (loss)	<u>(10,260)</u>	<u>58,256</u>	<u>47,996</u>
Nonoperating revenues (expense):			
Interest income	868	789	1,657
Interest expense	—	(23,032)	(23,032)
Accretion of bond premium	<u>—</u>	<u>5,086</u>	<u>5,086</u>
Total nonoperating revenue (expense)	<u>868</u>	<u>(17,157)</u>	<u>(16,289)</u>
Income (loss) before contributions and transfers	(9,392)	41,099	31,707
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(10,000)</u>
Change in net position	<u>(14,392)</u>	<u>36,099</u>	<u>21,707</u>
Net position, beginning of year:			
As previously reported	1,130,160	1,138,007	2,268,167
Restatement for net pension liability	<u>(89,071)</u>	<u>(62,873)</u>	<u>(151,944)</u>
As restated	<u>1,041,089</u>	<u>1,075,134</u>	<u>2,116,223</u>
Net position, end of year	<u>\$1,026,697</u>	<u>\$1,111,233</u>	<u>\$ 2,137,930</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF CLEARWATER, KANSAS

STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS

(continued on next page)

Year ended December 31, 2015

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 344,902	\$ 352,364	\$ 697,266
Cash payments for materials and services	(136,397)	(58,631)	(195,028)
Cash payments to employees for services	<u>(182,043)</u>	<u>(131,831)</u>	<u>(313,874)</u>
Net cash provided by operating activities	<u>26,462</u>	<u>161,902</u>	<u>188,364</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(12,843)	(4,630)	(17,473)
Principal paid on general obligation bonds	—	(82,890)	(82,890)
Interest paid on debt	<u>—</u>	<u>(23,446)</u>	<u>(23,446)</u>
Net cash used by capital and related financing activities	<u>(12,843)</u>	<u>(110,966)</u>	<u>(123,809)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(5,000)</u>	<u>(5,000)</u>	<u>(10,000)</u>
Cash flows from investing activities:			
Interest income	<u>868</u>	<u>789</u>	<u>1,657</u>
Net increase in cash and cash equivalents	9,487	46,725	56,212
Cash and cash equivalents, beginning of year	<u>220,908</u>	<u>195,485</u>	<u>416,393</u>
Cash and cash equivalents, end of year	<u>\$ 230,395</u>	<u>\$ 242,210</u>	<u>\$ 472,605</u>

CITY OF CLEARWATER, KANSAS

STATEMENT OF CASH FLOWS – ALL ENTERPRISE FUNDS

(continued from previous page)

Year ended December 31, 2015

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income	\$ (10,260)	\$ 58,256	\$ 47,996
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	37,626	98,493	136,119
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(8,703)	4,913	(3,790)
Increase in deferred outflows of resources	(16,480)	(11,633)	(28,113)
Increase (decrease) in accounts payable	491	(2,189)	(1,698)
Increase in deferred inflows of resources	18,565	13,105	31,670
Decrease in net pension liability	(7)	(5)	(12)
Increase in compensated absences payable	<u>5,230</u>	<u>962</u>	<u>6,192</u>
Net cash provided by operating activities	<u>\$ 26,462</u>	<u>\$ 161,902</u>	<u>\$ 188,364</u>

The accompanying notes are an integral part of the financial statements.

CITY OF CLEARWATER, KANSAS
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

December 31, 2015

	<u>Agency Funds</u>
Assets:	
Cash including investments	\$ –
Due from employees	<u>1,549</u>
Total assets	<u><u>\$ 1,549</u></u>
Liabilities:	
Due to other funds	\$ 1,178
Accrued liabilities	<u>371</u>
Total liabilities	<u><u>\$ 1,549</u></u>

The accompanying notes are an
integral part of the financial statements.

CITY OF CLEARWATER, KANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The City operates under a Mayor-Council form of government consisting of an elected Mayor and five council persons and provides services to its citizens in the areas of highways and streets, water and sewer utilities, public improvement, public safety, planning and zoning, recreation and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Clearwater, Kansas (the primary government) and its component unit. The component unit discussed in the following paragraph is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As of January 1, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report costs and obligations associated with pensions in their financial statements. Employers are required to recognize pension amounts for all benefits provided through the Kansas Public Employees' Retirement System of the State of Kansas (KPERs), which includes the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 6 and the additional disclosures required by these standards are included in Note 14.

Discretely presented component unit

The component unit columns in the combined financial statements include the financial data of the accounts managed by the Clearwater Public Library Board. It is reported in a separate column to emphasize that it is legally separate from the City however, the governing body of this component unit is appointed by the Mayor with approval by the City Council. In addition, the City provides facilities and performs most accounting functions for the Library. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The Library Board also receives funding through state assistance programs

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and community donations. The Library operations are accounted for using the same principles as the governmental fund types of the City. The Library Board does not issue separate audited financial statements.

Blended component unit

The Clearwater Public Building Commission was established in October 1999 by Ordinance of the Clearwater City Council. The Clearwater Public Building Commission is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the Clearwater Public Building Commission is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings and facilities. The financial activities of the Clearwater Public Building Commission are reflected in the Clearwater Public Building Commission special revenue fund.

Basis of presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance in their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The City's basic financial statements include both government-wide, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements

The government-wide financial statements, consisting of the statement of net position and the statement of activities, display all the nonfiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In addition, the primary government is reported discretely from the legally separate component unit for which the primary government is financially accountable. The statement of net position presents the financial condition of the City and its component unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which a given function or segment is self-financing or draws from the general revenues of the City.

Fund financial statements

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charges for services and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for and report all financial resources not accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

Water Utility Fund – The Water Utility Fund is used to account for the operation of the municipal water utility including water supply, treatment and distribution.

Sewer Utility Fund – The Sewer Utility Fund is used to account for the operation of the municipal sewer utility including the collection and treatment of wastewater.

The City also reports the following fund types:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects

Agency Funds – The agency funds are used to report resources held by the City in a custodial capacity for remittance of fiduciary resources to individuals, private organizations or other governments. The City reports a Payroll Withholding Tax fund to account for withholdings from City employees' that are due to others.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for charges between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

Property taxes are not susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, fees, fines, forfeitures, charges for services and other revenue are generally not susceptible to accrual and are recorded when received in cash.

Cash and short-term investments

Cash and short-term investments include amounts in demand deposit, money market accounts and certificates of deposit. Investments are carried at fair value. Deposits are reported at their carrying amount, which approximates fair value. For purposes of the statement of cash flows, the Water Utility Fund and Sewer Utility Fund consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. Interest income is credited to the various funds of the City based on average cash balances available for investment.

Property taxes and other receivables

In accordance with governing State statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on January 1 and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred inflows of resources on the balance sheets of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the appropriate funds. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Recognized State-shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes. For revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Federal and state grant aid is reported as revenue when the related reimbursable expenditures are incurred. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Special assessments receivable

As required by State statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's Debt Service Fund. Further, State statutes permit levying additional general ad valorem property taxes in the City's Debt Service

Fund to finance delinquent special assessments receivable. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate construction project. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund. Special assessment taxes are levied over a ten or fifteen-year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the Debt Service Fund and accrued as revenues in the Statement Net Position. Since they are not considered available spendable resources for the funds statement, the special assessments receivable are reported as deferred inflows of resources in the funds statement.

Sales tax receivable

Sedgwick County imposes a 1% countywide local sales tax that is collected by the State and remitted to the City on a monthly basis. The accrued sales tax receivable represents the sales tax collected by the merchants and held by the State at year-end. Such taxes are available to liquidate expenditures of the current period and are accrued as revenues at year-end.

Franchise fees receivable

Franchise fees are remitted to the City on a monthly, quarterly or annual basis. Such fees are based on gross receipts by the franchisor for the remittance period. At year-end, the franchise fees based on gross receipts during the City's fiscal year have been accrued as revenues since they are considered available to liquidate expenditures of the current period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and prepaid items

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenses when purchased. The inventory of consumable supplies is not considered significant to the City's financial statements.

Prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase in the fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$500 or more. Capital assets are valued at historical cost, or estimated historical cost (if actual historical cost is not available). The historical cost, or estimates of historical cost, for the City's infrastructure assets include only those assets acquired subsequent to January 1, 2004. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Property, plant and equipment of the primary government and its component unit is depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	40 to 50 years
Improvements other than buildings	20 to 40 years
Infrastructure (streets)	20 years
Machinery and equipment	3 to 20 years

Amortization of capital leases is included in depreciation.

Revenue recognition for utility funds

Revenue is recorded as billed to customers on a cycle basis. Residential and commercial customers are billed monthly. Unbilled service receivables are not accrued at year-end and are not significant to the enterprise fund types.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences

The City's policies regarding vacation permits full-time employees with one to four years service to earn 10 days vacation pay, five to nine years of service earn 15 days vacation pay and ten or more years of service earn vacation pay at the rate of twenty days per year. Vacation time must be taken within one year of accrual. Sick leave is allowed to accumulate at the rate of one day for each full month of service with a maximum accumulation of 60 days. At termination, an employee shall be compensated for all accumulated vacation pay. All accumulated sick leave is canceled upon termination. The liabilities for accrued compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

Accrued liabilities and long-term debt

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, general obligation bonds and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

General obligation bond payments from the Sewer Utility enterprise fund are deducted from the liability as made.

The present value of net minimum capitalized lease payments is recorded as expenditures in the applicable governmental fund and subsequent lease payments are accounted for as debt service expenditures.

Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System, which is a cost sharing multi-employer statewide defined benefit pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

Concentration of credit risk

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Deferred outflows/inflows of resources

A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The City has identified changes in the pension liability proportion and differences between expected and actual experience as financial items that meet the definition of deferred outflows of resources. The City identified four items that met the definition of a deferred inflow of resources. These items include property taxes receivable, special assessment taxes receivable, premium received on the sale of general obligation bonds and pension related items of differences between expected and actual experience, differences between projected and actual investment earnings, changes in assumptions and changes in pension liability proportion. These items are reclassified as deferred inflows of resources and will be recognized in the period that the amounts become available.

Net position flow assumption

The government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the government-wide financial statements, equity is reflected as net position and classified into three components:

- Invested in capital assets, net of related debt – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction or improvements of those assets.
- Restricted – consisting of net position items with constraints place on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Unrestricted net position – all other net position items that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

In the governmental funds financial statements, equity is classified into potential five components:

- Nonspendable – the nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.
- Restricted – that portion of fund balance that has constraints that are (1) external imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- Committed – that portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.
- Assigned – fund balance that is constrained by the government’s intent to be used for specified purposes, but are neither restricted or committed.
- Unassigned – this represents the residual classification for the General Fund.

Budgetary principles

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. The Police Reserves, Donations Ambulance, Donations Crimestoppers, Donations Fire, Donations Park, Donations Historical Society, Donations Senior Center Building, Law Enforcement Trust and Clearwater Public Building

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Commission funds are exempt from legally adopted budgetary requirements. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. During 2015, the City Council amended the following individual fund budgets:

<u>Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
Debt Service	\$ 404,823	\$ 409,702

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year except for capital project fund appropriations, which are carried forward until such time as the project is completed or terminated. Accordingly, the actual data presented in the budgetary comparison statements differ from the data presented in the financial statements prepared in accordance with generally accepted accounting principles.

Controls over spending in funds which are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Deposits

K.S.A. 9-1401 establishes the depositories that may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2015, is as follows:

Emprise Bank	100%
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Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy follows applicable State Statutes and requires deposits to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2015.

2. DEPOSITS AND INVESTMENTS (continued)

At year-end, the carrying amount of the City's deposits was \$2,391,091 with the bank balances of such accounts being \$2,457,896. Of the bank balances, \$272,688 was covered by federal depository insurance and the remaining balance of \$2,185,208 was covered by collateral held by the City's custodial bank in joint custody in the name of the City and its bank. The fair value of the pledged securities held by the City's custodial bank was \$2,618,156 at December 31, 2015.

The City's discretely presented component unit cash and investments at December 31, 2015 consisted of checking, savings and certificate of deposit accounts. At year-end, the carrying amount and the bank balances of the City's discretely presented component unit deposits were \$71,344, which were entirely covered by federal depository insurance.

The City's blended component unit cash and investments at December 31, 2015 consisted of a money market checking account. At year-end, the carrying amount and the bank balances of the City's blended component unit deposits were \$60,493, which were entirely covered by federal depository insurance.

A reconciliation of cash and investments as reported in the Statement of Net Position at December 31, 2015 is as follows:

Carrying amount of deposits – City	\$ 2,391,091
Carrying amount of deposits held by fiscal agent	13,188
Carrying amount of deposits – blended component unit	60,493
Carrying amount of deposits – discretely presented component unit	<u>71,344</u>
Total	<u>\$ 2,536,116</u>
Amounts per Statement of Net Position:	
Cash and investments	\$ 2,451,584
Restricted cash held by fiscal agent	13,188
Cash and investments – discretely presented component unit	<u>71,344</u>
Total	<u>\$ 2,536,116</u>

3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2015 is as follows:

3. CAPITAL ASSETS (continued)

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 580,732	\$ —	\$ —	\$ 580,732
Construction work In progress	—	896,076	—	896,076
	<u>580,732</u>	<u>896,076</u>	<u>—</u>	<u>1,476,808</u>
Capital assets being depreciated:				
Buildings	1,055,551	—	—	1,055,551
Improvements other than buildings	1,833,596	95,989	—	1,929,585
Infrastructure	2,843,411	—	—	2,843,411
Machinery and equipment	<u>1,872,326</u>	<u>37,860</u>	<u>—</u>	<u>1,910,186</u>
Total capital assets being depreciated	<u>7,604,884</u>	<u>133,849</u>	<u>—</u>	<u>7,738,733</u>
Less accumulated depreciation for:				
Buildings	342,169	26,453	—	368,622
Improvements other than buildings	1,255,237	82,655	—	1,337,892
Infrastructure	871,301	129,430	—	1,000,731
Machinery and equipment	<u>1,366,515</u>	<u>80,771</u>	<u>—</u>	<u>1,447,286</u>
Total accumu- lated depreciation	<u>3,835,222</u>	<u>319,309</u>	<u>—</u>	<u>4,154,531</u>
Total capital assets being deprec- iated, net	<u>3,769,662</u>	<u>(185,460)</u>	<u>—</u>	<u>3,584,202</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Governmental activities capital assets, net	<u>\$ 4,350,394</u>	<u>\$ 710,616</u>	<u>\$ —</u>	<u>\$ 5,061,010</u>
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated				
Land	<u>\$ 64,369</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 64,369</u>
Capital assets being depreciated:				
Buildings	98,021	—	—	98,021
Improvements other than buildings	4,807,967	17,473	—	4,825,440
Machinery and equipment	<u>326,810</u>	<u>—</u>	<u>—</u>	<u>326,810</u>
Total capital assets being depreciated	<u>5,232,798</u>	<u>17,473</u>	<u>—</u>	<u>5,250,271</u>
Less accumulated depreciation for:				
Buildings	47,919	3,677	—	51,596
Improvements other than buildings	2,320,434	120,822	—	2,441,256
Machinery and equipment	<u>266,514</u>	<u>11,620</u>	<u>—</u>	<u>278,134</u>
Total accumu- lated depreciation	<u>2,634,867</u>	<u>136,119</u>	<u>—</u>	<u>2,770,986</u>
Total capital assets being depreciated, net	<u>2,597,931</u>	<u>(118,646)</u>	<u>—</u>	<u>2,479,285</u>
Business-type activities capital assets, net	<u>\$ 2,662,300</u>	<u>\$ (118,646)</u>	<u>\$ —</u>	<u>\$ 2,543,654</u>

3. CAPITAL ASSETS (continued)

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
General government	\$ 13,048
Public safety	61,703
Highways and streets (including depreciation of infrastructure assets)	126,033
Culture and recreation	<u>118,525</u>
Total depreciation expense – governmental activities	<u>\$ 319,309</u>
Business-type activities:	
Water Utility	\$ 37,626
Sewer Utility	<u>98,493</u>
Total depreciation expense – business-type activities	<u>\$ 136,119</u>

4. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions of the City for the year ended December 31, 2015:

	Outstanding January 1, 2015	Additions	Deletions	Outstanding December 31, 2015	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$3,260,834	\$1,560,000	\$ 897,110	\$ 3,923,724	\$ 275,268
Capital lease obligations	446,050	–	81,142	364,908	69,961
Compensated absences	67,524	44,656	60,262	51,918	46,104
Net pension liability *	<u>372,001</u>	<u>–</u>	<u>28</u>	<u>371,973</u>	<u>–</u>
Total long-term liabilities – Governmental activities	<u>\$4,146,409</u>	<u>\$1,604,656</u>	<u>\$1,038,542</u>	<u>\$ 4,712,523</u>	<u>\$ 391,333</u>
<u>Business-type activities</u>					
General obligation bonds	\$ 779,166	\$ –	\$ 82,890	\$ 696,276	\$ 84,732
Compensated absences	48,948	35,999	29,807	55,140	31,038
Net pension liability *	<u>151,944</u>	<u>–</u>	<u>12</u>	<u>151,932</u>	<u>–</u>
Total long-term liabilities – Business-Type activities	<u>\$ 980,058</u>	<u>\$ 35,999</u>	<u>\$ 112,709</u>	<u>\$ 903,348</u>	<u>\$ 115,770</u>

* - balance at January 1, 2015 is as restated.

4. LONG-TERM DEBT (continued)

General obligation bonds

General obligation bonds payable are serial bonds to be retired through calendar year 2034. At December 31, 2015 the outstanding general obligation bonds consist of the following:

	<u>Interest Rates</u>	<u>Bonds Outstanding</u>
General Obligation Refunding Bonds, Series 2012	2.00 – 3.00%	\$ 1,890,000
General Obligation Bonds, Series 2013	1.55 – 3.00%	395,000
General Obligation Bonds, Series 2014	2.25 – 4.20%	775,000
General Obligation Bonds, Series A 2015	1.50 – 3.00%	940,000
General Obligation Refunding Bonds, Series B 2015	0.80 – 2.20%	<u>620,000</u>
Total outstanding general obligation bonds		4,620,000
Less debt service from enterprise funds		<u>(696,276)</u>
Total general obligation bonds payable from debt service fund		<u>\$ 3,923,724</u>

Remaining debt service requirements for general obligation bonds will be paid from the debt service fund with future property tax revenues and special assessment taxes.

The Series 2012 bonds maturing on October 1 in the years 2022 and thereafter, at the option of the issuer, will be subject to redemption and payment prior to their stated maturity on October 1, 2021, and thereafter, as a whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series 2013 bonds maturing on October 1 in the years 2021, and thereafter, will be subject to redemption and payment prior to their stated maturity on October 1, 2020, and thereafter, as a whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series 2014 bonds maturing on October 1 in the years 2024, and thereafter, will be subject to redemption and payment prior to their stated maturity on October 1, 2023, and thereafter, as a whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

The Series A 2015 bonds maturing on October 1 in the years 2025, and thereafter, will be subject to redemption and payment prior to their state maturity on October 1, 2024, and thereafter, as whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

4. LONG-TERM DEBT (continued)

The Series B 2015 bonds maturing on October 1 in the years 2023, and thereafter, will be subject to redemption and payment prior to their state maturity on October 1, 2022, and thereafter, as whole or in part at any time at the redemption price of 100% of the principal amount outstanding plus accrued interest thereon to the redemption date.

Annual debt service requirements to maturity for general obligation bonds to be retired from the Debt Service Fund are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 275,268	\$ 80,154	\$ 355,422
2017	339,742	118,195	457,937
2018	377,900	86,613	464,513
2019	412,374	77,836	490,210
2020	412,374	68,084	480,458
2021	423,690	58,286	481,976
2022	379,478	47,910	427,388
2023	322,898	38,955	361,853
2024	170,000	31,132	201,132
2025	170,000	26,493	196,493
2026	180,000	21,807	201,807
2027	80,000	16,465	96,465
2028	80,000	14,075	94,075
2029	45,000	11,538	56,538
2030	45,000	9,962	54,962
2031	50,000	8,275	58,275
2032	50,000	6,400	56,400
2033	55,000	4,400	59,400
2034	<u>55,000</u>	<u>2,200</u>	<u>57,200</u>
	<u>\$ 3,923,724</u>	<u>\$ 728,780</u>	<u>\$ 4,652,504</u>

General obligation bonds payable from enterprise funds

Remaining debt service requirements for general obligation bonds to be paid from the Sewer Fund are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 84,732	\$ 20,131	\$ 104,863
2017	90,258	17,589	107,847
2018	92,100	14,881	106,981
2019	97,626	12,118	109,744
2020	97,626	9,189	106,815

4. LONG-TERM DEBT (continued)

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 101,310	\$ 6,261	\$ 107,571
2022	75,522	3,221	78,743
2023	<u>57,102</u>	<u>1,428</u>	<u>58,530</u>
	<u>\$ 696,276</u>	<u>\$ 84,818</u>	<u>\$ 781,094</u>

Capitalized lease obligations

During 2013, the City entered into two lease agreements for the purchase of two police vehicles. The leases require monthly lease payments of \$799 and \$856, including interest, through July 2016. The leases are being serviced through the City's General Fund.

The City also entered into a lease agreement for the financing of a new ambulance during 2013. The lease agreement provides for semiannual payments of \$11,543, including interest, through August 2019. The lease is being serviced through the City's Emergency Medical Services Fund.

During 2012, the City entered into a lease agreement for the purchase of a police vehicle. The lease requires monthly lease payments of \$814, including interest, through August 2015. The lease is being serviced through the City's General Fund.

During 2008, the City entered into a lease agreement for the purchase of land for an industrial park. The lease requires annual lease payments of \$34,112, including interest, through March 2023. This lease is being serviced through the City's General Fund.

During 2008, the City entered into a lease agreement for the purchase of a fire truck. The lease requires monthly lease payments of \$1,494, including interest, through January 2019. This lease is being serviced through the City's General Fund.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of lease inception. The annual requirements to amortize the capital lease obligations outstanding at December 31, 2015, including interest payments, are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Industrial</u> <u>Park</u> <u>Land</u>	<u>Ambu-</u> <u>lance</u>	<u>Fire</u> <u>Truck</u>	<u>Police</u> <u>Vehicles</u>	<u>Total</u> <u>Capital</u> <u>Leases</u>
2016	\$ 34,112	\$ 23,085	\$ 17,927	\$ 10,788	\$ 85,912
2017	34,112	23,085	17,927	—	75,124
2018	34,112	23,085	17,473	—	74,670
2019	34,112	23,085	—	—	57,197
2020	34,112	—	—	—	34,112

4. LONG-TERM DEBT (continued)

<u>Year ending December 31,</u>	<u>Industrial Park Land</u>	<u>Ambu- lance</u>	<u>Fire Truck</u>	<u>Police Vehicles</u>	<u>Total Capital Leases</u>
2021	\$ 34,112	\$ —	\$ —	\$ —	\$ 34,112
2022	34,112	—	—	—	34,112
2023	<u>34,112</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>34,112</u>
Total minimum lease payments	272,896	92,340	53,327	10,788	429,351
Less amount representing interest	<u>\$ (55,845)</u>	<u>\$ (4,180)</u>	<u>\$ (4,199)</u>	<u>\$ (219)</u>	<u>\$ (64,443)</u>
Present value of minimum lease payments	<u>\$ 217,051</u>	<u>\$ 88,160</u>	<u>\$ 49,128</u>	<u>\$ 10,569</u>	<u>\$ 364,908</u>

The cost and accumulated depreciation of the equipment under capital lease at December 31, 2015 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Industrial park land	\$ 345,000	\$ —
Ambulance	154,576	46,374
Fire truck	166,950	66,784
Police vehicles	30,839	30,839

Compensated absences

The governmental funds portion of outstanding compensated absence liabilities is principally liquidated from resources of the General Fund.

5. TEMPORARY NOTES PAYABLE

Kansas law permits the issuance of temporary notes to finance certain capital improvement projects that will be refinanced with general obligation bonds. Prior to the issuance of the temporary notes, the governing body must take necessary legal steps to authorize the issuance of general obligation bonds. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance. The City issued \$510,000 of temporary notes during 2015. Temporary notes outstanding at December 31, 2015 are payable as follows:

5. TEMPORARY NOTES PAYABLE (continued)

	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Maturity Date</u>
Capital Project Fund: General Obligation Temporary Notes, Series 2015	1.25%	\$ 510,000	7-1-18

During 2015, the temporary note activity for the Capital Improvement Projects Fund was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Park Glen Estates Phase I	\$ —	\$ 510,000	\$ —	\$ 510,000

6. PENSION PLAN

Plan description

The City participates in the Kansas Public Employees Retirement System, a cost sharing multiple employer defined benefit pension plan. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74-4901 *et. seq.*:

Public employees, which includes:

- State/School employees
- Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City are included in the local employees group.

KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, by calling 1-888-275-5737 or via KPERS website at www.kpers.org.

6. PENSION PLAN (continued)

Benefits provided

KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. Members with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85.

Monthly retirement benefits are based on statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employees. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1% of total payroll for the fiscal year ended June 30, 2015.

The actuarially determined employer contribution rates and the statutory contribution rates for local government employees (not including the .85% contribution rate for the Death and Disability Program) are 9.48%. Member contribution rates as a percentage of eligible compensation for the fiscal year 2015 are 6.00% for local government employees.

6. PENSION PLAN (continued)

Employer Allocations

Although KPERS administers one cost sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the City's share of the collective pension amounts as of December 31, 2015 was based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal year ended June 30, 2015.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the City's proportion was 0.039900%, which was a decrease of 0.002669% from its proportion measured at June 30, 2014.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At December 31, 2015, the City reported a liability of \$523,905 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2015, the City recognized pension expense of \$61,017. At December 31, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to the measurement date	\$ 87,404	\$ —
Differences between expected and actual experience	—	94,330

6. PENSION PLAN (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ 14,878
Changes in proportion	<u>9,540</u>	<u>—</u>
Total	<u>\$ 96,944</u>	<u>\$ 109,208</u>

The City reported \$96,944 as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ (20,263)
2017	(20,263)
2018	(20,263)
2019	1,811
2020	(6,774)
Thereafter	—

Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	— 3.0 percent
Wage inflation	— 4.0 percent
Salary increases	— 4.00 percent to 16.00 percent, including inflation
Investment rate of return	— 8.00 percent, net of investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study conducted for the three-year period ending December 31, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate

6. PENSION PLAN (continued)

of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major assets class included in the pension plan's target asset allocations as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2015</u>	
	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	47.00%	6.30%
Fixed Income	13.00	0.80
Yield Driven	8.00	4.20
Real Return	11.00	1.70
Real Estate	11.00	5.40
Alternatives	8.00	9.40
Short-Term Investments	<u>2.00</u>	(0.50)
Total	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the Pension Plan as of June 30, 2015 calculated using the discount rate of 8.00%, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

6. PENSION PLAN (continued)

	June 30, 2015		
	1.00% Decrease (7.00%)	Current Discount Rate (8.00%)	1.00% Increase (9.00%)
Amount due within one year	\$ 743,710	\$ 523,905	\$ 337,552

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

7. BUDGETARY DATA

As described in Note 1, the actual data presented in the budgetary comparison statements differ from data presented in accordance with generally accepted accounting principles (GAAP) for the governmental fund types. The following reconciliation's are presented to provide a correlation between the different bases of reporting:

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds
GAAP Fund Balance at December 31, 2015	\$ 531,166	\$ 69,326	\$ 532,233
Adjustments:			
Accrued sales tax revenues	(32,481)	—	—
Accrued franchise fee revenues	(28,272)	—	—
Fund balances not subject to the Kansas budget law	—	—	(143,478)
Budgetary Fund Balance at December 31, 2015	<u>\$ 470,413</u>	<u>\$ 69,326</u>	<u>\$ 388,755</u>

8. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2015, individual capital project authorizations compared with project expenditures from inception which are reported within the Capital Projects Fund are as follows:

8. CAPITAL PROJECT AUTHORIZATIONS (continued)

	<u>Project authorizations</u>	<u>Expenditures project inception to December 31, 2015</u>
Clearwater Business Park Water Improvement Project	\$ 924,800	\$ 441,343
Park Glen Estates Phase 1 Improvement Project	540,000	389,391
Indian Lakes Phase 2 Improvement Project	650,000	525,198

9. INTERFUND RECEIVABLES/PAYABLES

Individual interfund receivables and payables (due to/due from other funds) at December 31, 2015 were as follows:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Major Funds:		
General	\$ 1,178	\$ —
Agency Funds:		
Payroll Withholding Fund	—	1,178
	<u>\$ 1,178</u>	<u>\$ 1,178</u>

At December 31, 2015 the Payroll Withholding Fund had remitted amounts totaling \$1,178 prior to receiving the amounts from the employees. The General Fund had advanced moneys to the Payroll Withholding Fund, which was repaid subsequent to year-end.

10. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund for 2015 is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major Funds:		
Debt Service	\$ 10,000	\$ —
Water Utility	—	5,000
Water Utility	—	5,000
Total transfers	<u>\$ 10,000</u>	<u>\$ 10,000</u>

10. INTERFUND TRANSFERS (continued)

Routine transfers included \$5,000 each from the Water Utility Fund and Sewer Utility Fund to the General Fund to provide for financial assistance in administrative activities.

11. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements and it is management's opinion that any such amounts are not significant to the City's financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the City under this program.

12. ADVANCE REFUNDING

On March 1, 2015, the City entered into an advance refunding transaction whereby it issued \$620,000 of General Obligation Refunding Bonds, Series B 2015, with interest rates from 0.80 to 2.20%, to advance refund a portion of the City's General Obligation Bonds, Series 2007, with interest rates from 3.75% to 4.15%. Proceeds from the Series B 2015 Refunding Bonds in the amount of \$599,969 and funds on hand of \$73,056 were placed with the City's escrow agent to provide for the principal and interest to the call date, October 1, 2015, to advance refund \$600,000 of the Series 2007 Bonds maturing on October 1, 2016 to October 1, 2023.

The City entered into the refunding transaction for the 2015 Series B Bonds to reduce its total debt service payments over the next 7 years by \$45,004 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$39,985.

13. COMMITMENTS AND CONTINGENCIES

During 2014, the City Council authorized two street projects on 4th Street from 95th Street to Ross Avenue and at Tracey and Ross Avenue in an amount not to exceed \$350,000. General obligation bonds were issued during 2015 to provide permanent financing for these street projects. At December 31, 2015 the City had begun preliminary engineering and right-of-way acquisition.

At December 31, 2015, the City had outstanding commitments for street and drainage improvements related to the Park Glen Estates residential development of \$270,091.

13. COMMITMENTS AND CONTINGENCIES (continued)

During 2013, the City received an Order from the Kansas Department of Health and Environment (KDHE) pertaining to the current operations of the City's wastewater treatment facility. The Order required the City to hire an engineer with expertise in wastewater facility operations and for the City to submit a plan of action regarding the Order. The City employed a consulting engineer and a permanent plan of for sewer system improvements was submitted to KDHE.

During 2015, the City issued general obligation bonds in the amount of \$575,149 to provide permanent financing for the sewer system improvements. At December 31, 2015, substantially all of the sewer system improvements were completed and the City had engineering commitments of \$42,671.

14. RESTATEMENT

On January 1, 2015, the District changed its method of accounting to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the costs and obligation associated with pensions in their financial statements, including additional note disclosures and requirement supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position at December 31, 2015, as previously reported	\$ 4,511,513	\$ 2,268,167
Prior period adjustment for:		
Net pension liability at June 30, 2014	(440,832)	(180,057)
Deferred outflows of resources related to contributions made subsequent to the to the measurement date (June 30, 2014)	<u>68,831</u>	<u>28,113</u>
Net position (deficit), December 31, 2015, as restated	<u>\$4,139,512</u>	<u>\$ 2,116,223</u>

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 26, 2016, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLEARWATER, KANSAS
REQUIRED SUPPLEMENTARY INFORMATION
KPERS PENSION PLAN

Schedule of City's Proportionate Share of the Net Pension Liability
Last Three Years *

	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportionate percentage of the net pension liability	.039900%	.042569%	.041614%
City's proportionate share of the net pension liability	\$ 523,905	\$ 523,945	\$ 633,399
City's covered employee payroll	\$ 813,344	\$ 779,570	\$ 792,935
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	64.41%	67.21%	79.88%
Plan fiduciary net position as a percentage of the total pension liability	64.95%	66.60%	59.94%

Schedule of City's Contributions
Last Three Years *

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 77,105	\$ 68,914	\$ 62,959
Contributions in relation to the contractually required contribution	<u>(77,105)</u>	<u>(68,914)</u>	<u>(62,959)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered employee payroll	\$ 813,344	\$ 779,570	\$ 792,935
Contributions as a percentage of covered employee payroll	9.48%	8.84%	7.94%

* — Data became available with the inception of GASB Statement No. 68 during fiscal year 2015, therefore 10 years of data is unavailable.

**COMBINING FINANCIAL STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES**

GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

The primary purpose of the Special Revenue Funds is to account for the proceeds of designated revenue sources which are used to finance specified activities as required by law or administrative regulation. The following nonmajor Special Revenue Funds are reported:

Special Highway Fund – to account for the state shared tax for the construction, reconstruction or maintenance of streets.

Employee Benefits Fund – to account for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes, health insurance, life insurance and pension contributions for employees of the City.

Special Liability Insurance Fund – to account for costs incurred related to legal defense, claims, and other direct and indirect costs resulting from the Kansas Tort Claims Act.

Special Parks and Recreation Fund – to account for the state shared tax for parks and recreation.

Capital Improvement Fund – to account for the financing of public improvements including the repair, restoration and rehabilitation of existing public facilities.

Library Fund – to account for the taxes levied for the funding for the operation of the public library.

Library Employee Benefits Fund – to account for the taxes levied for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes and pension contributions for employees of the public library.

Emergency Medical Services Fees Fund – to account for the fees assessed to City residents to provide resources for emergency medical services operations.

Senior Citizens Fund – to account for moneys appropriated to the City from Sedgwick County for senior citizen's activities.

Police Reserves Fund – to account for donations specified for use in police reserve activities.

Donations Ambulance Fund – to account for public donations specified for use in providing emergency ambulance services.

Donations Crimestoppers Fund – to account for public donations specified for use in policing activities.

NONMAJOR SPECIAL REVENUE FUNDS (continued)

Donations Fire Fund – to account for public donations specified for use in providing fire-fighting activities.

Donations Park Fund – to account for public donations and grants specified for use in providing park facilities for the public.

Donations Historical Society Fund – to account for public donations and membership proceeds for providing a Historical Museum in the City.

Donations Senior Center Building Fund – to account for public donations for providing a new Senior Center Building.

Law Enforcement Trust Fund – to account for the proceeds from forfeitures of property obtained through the County Attorney's office related to drug offense prosecutions.

Clearwater Public Building Commission – the Clearwater Public Building Commission is a component unit of the City and is used to account for the acquisition and subsequent debt service of public buildings utilized by the City.

CITY OF CLEARWATER, KANSAS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
(continued on next page)

December 31, 2015

	<u>Special Highway</u>	<u>Employee Benefits</u>	<u>Special Liability Insurance</u>	<u>Special Parks and Recreation</u>	<u>Capital Improve- ment</u>	<u>Library</u>	<u>Library Employee Benefits</u>	<u>Emergency Medical Services Fees</u>	<u>Senior Citizens</u>	<u>Police Reserves</u>
<u>ASSETS</u>										
Cash and short-term investments	\$ 29,584	\$ 97,087	\$ 4,154	\$ 27,749	\$ 197,483	\$ –	\$ 224	\$ 24,348	\$ 8,590	\$ 2,371
Accounts receivable	–	–	–	–	–	–	–	2,512	–	–
Taxes receivable	–	–	1,461	–	31,043	56,825	11,722	–	–	–
Total assets	<u>\$ 29,584</u>	<u>\$ 97,087</u>	<u>\$ 5,615</u>	<u>\$ 27,749</u>	<u>\$ 228,526</u>	<u>\$ 56,825</u>	<u>\$ 11,946</u>	<u>\$ 26,860</u>	<u>\$ 8,590</u>	<u>\$ 2,371</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>										
Liabilities:										
Accounts payable	\$ 2,976	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Deferred inflows of resources:										
Property taxes receivable	–	–	1,461	–	31,043	56,825	11,722	–	–	–
Fund balances:										
Restricted for:										
General government	–	97,087	4,154	–	–	–	–	–	–	–
Public safety	–	–	–	–	–	–	–	26,860	–	2,371
Street maintenance and improvements	26,608	–	–	–	–	–	–	–	–	–
Culture and recreation	–	–	–	27,749	–	–	224	–	–	–
Committed for:										
Capital improvements	–	–	–	–	197,483	–	–	–	–	–
Assigned for:										
General government	–	–	–	–	–	–	–	–	–	–
Culture and recreation	–	–	–	–	–	–	–	–	8,590	–
Total fund balances	<u>26,608</u>	<u>97,087</u>	<u>4,154</u>	<u>27,749</u>	<u>197,483</u>	<u>–</u>	<u>224</u>	<u>26,860</u>	<u>8,590</u>	<u>2,371</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 29,584</u>	<u>\$ 97,087</u>	<u>\$ 5,615</u>	<u>\$ 27,749</u>	<u>\$ 228,526</u>	<u>\$ 56,825</u>	<u>\$ 11,946</u>	<u>\$ 26,860</u>	<u>\$ 8,590</u>	<u>\$ 2,371</u>

CITY OF CLEARWATER, KANSAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
(continued from previous page)

December 31, 2015

	Donations Ambu- lance	Donations Crime- stoppers	Donations Fire	Donations Park	Donations Historical Society	Donations Senior Center Building	Law Enforce- ment Trust	Clearwater Public Building Commission	Total Nonmajor Governmental Funds
<u>ASSETS</u>									
Cash and short-term investments	\$ 18,417	\$ 10,082	\$ 8,451	\$ 4,783	\$ 31,203	\$ 6,425	\$ 1,253	\$ 60,493	\$ 532,697
Accounts receivable	-	-	-	-	-	-	-	-	2,512
Taxes receivable	-	-	-	-	-	-	-	-	101,051
Total assets	<u>\$ 18,417</u>	<u>\$ 10,082</u>	<u>\$ 8,451</u>	<u>\$ 4,783</u>	<u>\$ 31,203</u>	<u>\$ 6,425</u>	<u>\$ 1,253</u>	<u>\$ 60,493</u>	<u>\$ 636,260</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,976
Deferred inflows of resources:									
Property taxes receivable	-	-	-	-	-	-	-	-	101,051
Fund balances:									
Restricted for:									
General government	-	-	-	-	-	-	-	-	101,241
Public safety	18,417	10,082	8,451	-	-	-	1,253	-	67,434
Street maintenance and improvements	-	-	-	-	-	-	-	-	26,608
Culture and recreation	-	-	-	4,783	31,203	6,425	-	-	70,384
Committed for:									
Capital improvements	-	-	-	-	-	-	-	-	197,483
Assigned for:									
General government	-	-	-	-	-	-	-	60,493	60,493
Culture and recreation	-	-	-	-	-	-	-	-	8,590
Total fund balances	<u>18,417</u>	<u>10,082</u>	<u>8,451</u>	<u>4,783</u>	<u>31,203</u>	<u>6,425</u>	<u>1,253</u>	<u>60,493</u>	<u>532,233</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 18,417</u>	<u>\$ 10,082</u>	<u>\$ 8,451</u>	<u>\$ 4,783</u>	<u>\$ 31,203</u>	<u>\$ 6,425</u>	<u>\$ 1,253</u>	<u>\$ 60,493</u>	<u>\$ 636,260</u>

CITY OF CLEARWATER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
(continued on next page)**

Year ended December 31, 2015

	<u>Special Highway</u>	<u>Employee Benefits</u>	<u>Special Liability Insurance</u>	<u>Special Parks and Recreation</u>	<u>Capital Improve- ment</u>	<u>Library</u>	<u>Library Employee Benefits</u>	<u>Emergency Medical Services Fees</u>	<u>Senior Citizens</u>	<u>Police Reserves</u>
Revenues:										
Taxes	\$ -	\$ 209,378	\$ 10,760	\$ 2,602	\$ 67,121	\$ 67,431	\$ 9,719	\$ -	\$ -	\$ -
Intergovernmental	94,832	-	-	1,030	-	-	-	-	20,275	-
Licenses, fees and permits	-	-	-	-	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-	25,612	-	-
Use of money and property	99	450	12	106	676	-	7	76	27	9
Miscellaneous	-	29,346	-	17,477	-	-	-	-	-	-
Total revenues	<u>94,931</u>	<u>239,174</u>	<u>10,772</u>	<u>21,215</u>	<u>67,797</u>	<u>67,431</u>	<u>9,726</u>	<u>25,688</u>	<u>20,302</u>	<u>9</u>
Expenditures:										
General government	-	32,302	6,811	-	-	-	-	-	-	-
Public Safety	-	111,247	-	-	-	-	-	-	-	-
Highways and streets	87,409	11,995	-	-	-	-	-	-	-	-
Health and sanitation	-	1,873	-	-	-	-	-	-	-	-
Culture and recreation	-	57,928	-	15,000	-	67,431	9,666	-	15,300	-
Economic development	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	23,085	3,000	-
Total expenditures	<u>87,409</u>	<u>215,345</u>	<u>6,811</u>	<u>15,000</u>	<u>-</u>	<u>67,431</u>	<u>9,666</u>	<u>23,085</u>	<u>18,300</u>	<u>-</u>
Revenues over (under) expenditures	<u>7,522</u>	<u>23,829</u>	<u>3,961</u>	<u>6,215</u>	<u>67,797</u>	<u>-</u>	<u>60</u>	<u>2,603</u>	<u>2,002</u>	<u>9</u>
Fund balances, beginning of year	<u>19,086</u>	<u>73,258</u>	<u>193</u>	<u>21,534</u>	<u>129,686</u>	<u>-</u>	<u>164</u>	<u>24,257</u>	<u>6,588</u>	<u>2,362</u>
Fund balances, end of year	<u>\$ 26,608</u>	<u>\$ 97,087</u>	<u>\$ 4,154</u>	<u>\$ 27,749</u>	<u>\$ 197,483</u>	<u>\$ -</u>	<u>\$ 224</u>	<u>\$ 26,860</u>	<u>\$ 8,590</u>	<u>\$ 2,371</u>

CITY OF CLEARWATER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
(continued from previous page)**

Year ended December 31, 2015

	<u>Donations Ambu- lance</u>	<u>Donations Crime- stoppers</u>	<u>Donations Fire</u>	<u>Donations Park</u>	<u>Donations Historical Society</u>	<u>Donations Senior Center Building</u>	<u>Law Enforce- ment Trust</u>	<u>Clearwater Public Building Commission</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,011
Intergovernmental	-	-	-	-	-	-	-	-	116,137
Licenses, fees and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	25,612
Use of money and property	58	38	26	9	296	20	4	211	2,124
Miscellaneous	<u>7,835</u>	<u>4,206</u>	<u>4,910</u>	<u>3,000</u>	<u>5,519</u>	<u>1,784</u>	<u>-</u>	<u>-</u>	<u>74,077</u>
Total revenues	<u>7,893</u>	<u>4,244</u>	<u>4,936</u>	<u>3,009</u>	<u>5,815</u>	<u>1,804</u>	<u>4</u>	<u>211</u>	<u>584,961</u>
Expenditures:									
General government	-	-	-	-	-	-	-	-	39,113
Public safety	2,977	5,717	10,768	-	-	-	-	-	130,709
Highway and streets	-	-	-	-	-	-	-	-	99,404
Health and sanitation	-	-	-	-	-	-	-	-	1,873
Culture and recreation	-	-	-	-	3,093	2,192	-	-	170,610
Economic development	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	26,085
Total expenditures	<u>2,977</u>	<u>5,717</u>	<u>10,768</u>	<u>-</u>	<u>3,093</u>	<u>2,192</u>	<u>-</u>	<u>-</u>	<u>467,794</u>
Revenues over (under) expenditures	4,916	(1,473)	(5,832)	3,009	2,722	(388)	4	211	117,167
Fund balances, beginning of year	<u>13,501</u>	<u>11,555</u>	<u>14,283</u>	<u>1,774</u>	<u>28,481</u>	<u>6,813</u>	<u>1,249</u>	<u>60,282</u>	<u>415,066</u>
Fund balances, end of year	<u>\$ 18,417</u>	<u>\$ 10,082</u>	<u>\$ 8,451</u>	<u>\$ 4,783</u>	<u>\$ 31,203</u>	<u>\$ 6,425</u>	<u>\$ 1,253</u>	<u>\$ 60,493</u>	<u>\$ 532,233</u>

CITY OF CLEARWATER, KANSAS

SPECIAL HIGHWAY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 93,670	\$ 93,670	\$ 94,832	\$ 1,162
Use of money and property	<u>100</u>	<u>100</u>	<u>99</u>	<u>(1)</u>
Total revenues	<u>93,770</u>	<u>93,770</u>	<u>94,931</u>	<u>1,161</u>
Expenditures:				
Personal services	58,458	58,458	61,939	(3,481)
Contractual services	6,125	6,125	12,247	(6,122)
Commodities	14,700	14,700	7,667	7,033
Capital outlay	<u>33,000</u>	<u>33,000</u>	<u>5,412</u>	<u>27,588</u>
Total expenditures	<u>112,283</u>	<u>112,283</u>	<u>87,265</u>	<u>25,018</u>
Revenues over (under)				
expenditures	(18,513)	(18,513)	7,666	26,179
Fund balance,				
beginning of year	<u>19,502</u>	<u>19,502</u>	<u>18,942</u>	<u>(560)</u>
Fund balance, end of year	<u>\$ 989</u>	<u>\$ 989</u>	<u>\$ 26,608</u>	<u>\$ 25,619</u>

CITY OF CLEARWATER, KANSAS

EMPLOYEE BENEFITS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$206,429	\$206,429	\$209,378	\$ 2,949
Use of money and property	150	150	450	300
Miscellaneous	<u>14,218</u>	<u>14,218</u>	<u>29,346</u>	<u>15,128</u>
Total revenues	220,797	220,797	239,174	18,377
Expenditures:				
Personal services	<u>265,294</u>	<u>265,294</u>	<u>215,345</u>	<u>49,949</u>
Revenues over (under)				
expenditures	(44,497)	(44,497)	23,829	68,326
Fund balance,				
beginning of year	<u>44,497</u>	<u>44,497</u>	<u>73,258</u>	<u>28,761</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 97,087</u>	<u>\$ 97,087</u>

CITY OF CLEARWATER, KANSAS

SPECIAL LIABILITY INSURANCE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 10,673	\$ 10,673	\$ 10,760	\$ 87
Use of money and property	7	7	12	5
Miscellaneous	<u>50</u>	<u>50</u>	<u>—</u>	<u>(50)</u>
Total revenues	10,730	10,730	10,772	42
Expenditures:				
Contractual services	<u>11,100</u>	<u>11,100</u>	<u>6,811</u>	<u>4,289</u>
Revenues over (under)				
expenditures	(370)	(370)	3,961	4,331
Fund balance,				
beginning of year	<u>370</u>	<u>370</u>	<u>193</u>	<u>(177)</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,154</u>	<u>\$ 4,154</u>

CITY OF CLEARWATER, KANSAS

SPECIAL PARKS AND RECREATION FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Liquor tax	\$ 3,000	\$ 3,000	\$ 2,602	\$ (398)
Intergovernmental	1,000	1,000	1,030	30
Licenses, fees and permits	5,000	5,000	—	(5,000)
Use of money and property	50	50	106	56
Miscellaneous	<u>—</u>	<u>—</u>	<u>17,477</u>	<u>17,477</u>
Total revenues	<u>9,050</u>	<u>9,050</u>	<u>21,215</u>	<u>12,165</u>
Expenditures:				
Contractual services	5,500	5,500	5,000	500
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>—</u>
Total expenditures	<u>15,500</u>	<u>15,500</u>	<u>15,000</u>	<u>500</u>
Revenues over (under) expenditures	(6,450)	(6,450)	6,215	12,665
Fund balance, beginning of year	<u>29,188</u>	<u>29,188</u>	<u>21,534</u>	<u>(7,654)</u>
Fund balance, end of year	<u>\$ 22,738</u>	<u>\$ 22,738</u>	<u>\$ 27,749</u>	<u>\$ 5,011</u>

CITY OF CLEARWATER, KANSAS

CAPITAL IMPROVEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 75,258	\$ 75,258	\$ 67,121	\$ (8,137)
Use of money and property	<u>400</u>	<u>400</u>	<u>676</u>	<u>276</u>
Total revenues	75,658	75,658	67,797	(7,861)
Expenditures:				
Capital outlay	<u>176,192</u>	<u>176,192</u>	<u>—</u>	<u>176,192</u>
Revenues over (under)				
expenditures	(100,534)	(100,534)	67,797	168,331
Fund balance,				
beginning of year	<u>100,534</u>	<u>100,534</u>	<u>129,686</u>	<u>29,152</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 197,483</u>	<u>\$ 197,483</u>

CITY OF CLEARWATER, KANSAS

LIBRARY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 66,547	\$ 66,547	\$ 67,431	\$ 884
Intergovernmental	13,100	13,100	–	(13,100)
Fines and fees	1,500	1,500	–	(1,500)
Use of money and property	100	100	–	(100)
Miscellaneous	<u>100</u>	<u>100</u>	<u>–</u>	<u>(100)</u>
Total revenues	81,347	81,347	67,431	(13,916)
Expenditures:				
Appropriation to Library Board	<u>85,842</u>	<u>85,842</u>	<u>67,431</u>	<u>18,411</u>
Revenues over (under) expenditures	(4,495)	(4,495)	–	4,495
Fund balance, beginning of year	<u>4,495</u>	<u>4,495</u>	<u>–</u>	<u>(4,495)</u>
Fund balance, end of year	<u><u>\$ –</u></u>	<u><u>\$ –</u></u>	<u><u>\$ –</u></u>	<u><u>\$ –</u></u>

CITY OF CLEARWATER, KANSAS

LIBRARY EMPLOYEE BENEFITS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 9,655	\$ 9,655	\$ 9,719	\$ 64
Use of money and property	<u>5</u>	<u>5</u>	<u>7</u>	<u>2</u>
Total revenues	9,660	9,660	9,726	66
Expenditures:				
Appropriation to Library Board	<u>9,881</u>	<u>9,881</u>	<u>9,666</u>	<u>215</u>
Revenues over (under) expenditures	(221)	(221)	60	281
Fund balance, beginning of year	<u>221</u>	<u>221</u>	<u>164</u>	<u>(57)</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 224</u>	<u>\$ 224</u>

CITY OF CLEARWATER, KANSAS

EMERGENCY MEDICAL SERVICES FEE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 25,000	\$ 25,000	\$ 25,612	\$ 612
Use of money and property	<u>80</u>	<u>80</u>	<u>76</u>	<u>(4)</u>
Total revenues	25,080	25,080	25,688	608
Expenditures:				
Debt service	<u>23,085</u>	<u>23,085</u>	<u>23,085</u>	<u>—</u>
Revenues over expenditures	1,995	1,995	2,603	608
Fund balance, beginning of year	<u>23,373</u>	<u>23,373</u>	<u>24,257</u>	<u>884</u>
Fund balance, end of year	<u>\$ 25,368</u>	<u>\$ 25,368</u>	<u>\$ 26,860</u>	<u>\$ 1,492</u>

CITY OF CLEARWATER, KANSAS

SENIOR CENTER FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND CASH BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 18,500	\$ 18,500	\$ 20,275	\$ 1,775
Use of money and property	<u>—</u>	<u>—</u>	<u>27</u>	<u>27</u>
Total revenues	<u>18,500</u>	<u>18,500</u>	<u>20,302</u>	<u>1,802</u>
Expenditures:				
Personal services	7,700	7,700	10,557	(2,857)
Contractual services	5,945	5,945	3,166	2,779
Commodities	1,655	1,655	1,577	78
Debt service	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>—</u>
Total expenditures	<u>18,300</u>	<u>18,300</u>	<u>18,300</u>	<u>—</u>
Revenues over expenditures	200	200	2,002	1,802
Fund balance, beginning of year	<u>10,338</u>	<u>10,338</u>	<u>6,588</u>	<u>(3,750)</u>
Fund balance, end of year	<u>\$ 10,538</u>	<u>\$ 10,538</u>	<u>\$ 8,590</u>	<u>\$ (1,948)</u>

CITY OF CLEARWATER, KANSAS

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 132,838	\$ 132,699	\$ 134,976	\$ 2,277
Special assessments	251,212	284,053	288,479	4,426
Use of money and property	400	458	412	(46)
Proceeds of refunding bonds	—	—	620,000	620,000
Transfers in	<u>—</u>	<u>3,000</u>	<u>5,938</u>	<u>2,938</u>
Total revenues and other sources	<u>384,450</u>	<u>420,210</u>	<u>1,049,805</u>	<u>629,595</u>
Expenditures:				
Bond Principal	285,357	297,119	297,119	—
Bond interest and commission	114,466	110,583	110,583	—
Bond issuance costs	—	—	7,896	(7,896)
Payment to refunding bond Escrow Agent	—	—	599,969	(599,969)
Discount on sale of bonds	—	—	4,960	(4,960)
Cash basis reserve	<u>5,000</u>	<u>2,000</u>	<u>—</u>	<u>2,000</u>
Total expenditures	404,823	409,702	1,020,527	(610,825)
Budget credit – issuance of refunding bonds	<u>—</u>	<u>620,000</u>	<u>—</u>	<u>620,000</u>
Total expenditures for comparison	<u>404,823</u>	<u>1,029,702</u>	<u>1,020,527</u>	<u>9,175</u>
Revenues over (under) expenditures	(20,373)	10,508	29,278	18,770
Fund balance, beginning of year	<u>20,373</u>	<u>40,049</u>	<u>40,048</u>	<u>(1)</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ 50,557</u>	<u>\$ 69,326</u>	<u>\$ 18,769</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund measurement focus is upon determination of net income, financial position and change in financial position. The following major Enterprise Funds are reported:

Water Utility Fund – to account for the operation of municipal water utility including water supply, treatment and distribution.

Sewer Utility Fund – to account for the operation of sewer utility including the collection and treatment of wastewater.

CITY OF CLEARWATER, KANSAS

WATER UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 351,880	\$ 351,880	\$ 352,090	\$ 210
Use of money and property	2,800	2,800	868	(1,932)
Miscellaneous	<u>—</u>	<u>—</u>	<u>1,515</u>	<u>1,515</u>
Total revenues	<u>354,680</u>	<u>354,680</u>	<u>354,473</u>	<u>(207)</u>
Expenditures:				
Personnel services	191,303	191,303	182,044	9,259
Contractual services	67,150	67,150	60,295	6,855
Commodities	42,300	42,300	64,713	(22,413)
Capital outlay	40,635	40,635	22,662	17,973
Miscellaneous	7,200	7,200	—	7,200
Debt service	11,054	11,054	—	11,054
Transfers out	<u>201,957</u>	<u>201,957</u>	<u>5,000</u>	<u>196,957</u>
Total expenditures	<u>561,599</u>	<u>561,599</u>	<u>334,714</u>	<u>226,885</u>
Revenues over (under) expenditures	(206,919)	(206,919)	19,759	226,678
Fund balance, beginning of year	<u>206,919</u>	<u>206,919</u>	<u>229,395</u>	<u>22,476</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 249,154</u>	<u>\$ 249,154</u>

CITY OF CLEARWATER, KANSAS

SEWER UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN UNENCUMBERED CASH BALANCES – BUDGET AND
ACTUAL – BUDGETARY BASIS**

Year Ended December 31, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 350,200	\$ 350,200	\$ 347,040	\$ (3,160)
Use of money and property	225	225	789	564
Miscellaneous	<u>—</u>	<u>—</u>	<u>411</u>	<u>411</u>
Total revenues	<u>350,425</u>	<u>350,425</u>	<u>348,240</u>	<u>(2,185)</u>
Expenditures:				
Personnel services	180,310	180,310	131,831	48,479
Contractual services	77,225	77,225	43,243	33,982
Commodities	10,000	10,000	13,185	(3,185)
Capital outlay	10,000	10,000	4,644	5,356
Debt service	106,336	106,336	106,336	—
Transfers out	<u>143,723</u>	<u>143,723</u>	<u>5,000</u>	<u>138,723</u>
Total expenditures	<u>527,594</u>	<u>527,594</u>	<u>304,239</u>	<u>223,355</u>
Revenues over (under) expenditures	(177,169)	(177,169)	44,001	221,170
Fund balance, beginning of year	<u>177,169</u>	<u>177,169</u>	<u>106,019</u>	<u>(71,150)</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 150,020</u>	<u>\$ 150,020</u>

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agent capacity for others and, therefore, are not used to support the government's own programs.

AGENCY FUNDS

Payroll Tax Withholding Fund – to account for the withholding taxes and other employee payroll withholdings due to other agencies.

CITY OF CLEARWATER, KANSAS

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS – PAYROLL TAX WITHHOLDING FUND**

Year ended December 31, 2015

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2015</u>
<u>PAYROLL TAX WITHHOLDING FUND</u>				
<u>ASSETS</u>				
Cash and short-term investments	\$ –	\$1,331,543	\$1,331,543	\$ –
Due from others	<u>–</u>	<u>1,549</u>	<u>–</u>	<u>1,549</u>
	<u><u>\$ –</u></u>	<u><u>\$1,333,092</u></u>	<u><u>\$1,331,543</u></u>	<u><u>\$ 1,549</u></u>
<u>LIABILITIES</u>				
Accrued liabilities	–	1,331,914	1,331,543	371
Due to other funds	<u>–</u>	<u>1,178</u>	<u>–</u>	<u>1,178</u>
	<u><u>\$ –</u></u>	<u><u>\$1,333,092</u></u>	<u><u>\$1,331,543</u></u>	<u><u>\$ 1,549</u></u>

COMPONENT UNIT

The Clearwater Public Library is reported as a discretely presented component unit within the financial statements of the City of Clearwater (the reporting entity) to emphasize its separate legal status. The Clearwater Public Library Board is appointed by the City Council and operates the public library of the City. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library and Library Employee Benefits special revenue fund of the City. The Library Board also receives funding through state assistance programs, charges for services and donations from the public. The following funds are used to account for the operations of the Clearwater Public Library:

Library Board Fund – to account for moneys held directly by the Library Board and made available as needed to assist in financing the operations of the public library.

Library Levy Fund – to account for the property taxes, grants and other resources received for the operations of the public library.

Library Employee Benefits Fund – to account for the taxes levied for the funding of the employer portion of unemployment compensation, workers' compensation, social security taxes, Medicare taxes and pension contributions for employees of the public library.

Library Capital Improvement Fund – to account for capital equipment and improvement expenditures. Financing is provided through transfers from other funds.

Donations Library Fund – to account for public donations specified for use in providing a public library in the City.

Friends of the Library Fund – to account for resources provided by the Friends of the Library organization who has assisted in fund raising for the public library's operating activities.

CITY OF CLEARWATER, KANSAS

COMBINING BALANCE SHEET – CLEARWATER PUBLIC LIBRARY

December 31, 2015

	<u>Library Board</u>	<u>Library Levy</u>	<u>Library Employee Benefits</u>	<u>Library Capital Improve- ment</u>	<u>Donations Library</u>	<u>Friends of the Library</u>	<u>Total</u>
<u>ASSETS</u>							
Cash and investments	\$ 11,349	\$ 23,969	\$ —	\$ 31,046	\$ 4,712	\$ 268	\$ 71,344
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ —	\$ 41	\$ —	\$ —	\$ —	\$ —	\$ 41
Fund balances:							
Restricted	—	23,928	—	—	4,712	268	28,908
Committed	—	—	—	31,046	—	—	31,046
Unassigned	11,349	—	—	—	—	—	11,349
Total fund balances	11,349	23,928	—	31,046	4,712	268	71,303
Total liabilities and fund balances	\$ 11,349	\$ 23,969	\$ —	\$ 31,046	\$ 4,712	\$ 268	\$ 71,344
Reconciliation to total net position:							
Total fund balances per above							\$ 71,303
Add capital assets							163,193
Less accumulated depreciation on capital assets							(91,628)
Total net position							\$ 142,868

CITY OF CLEARWATER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – CLEARWATER PUBLIC LIBRARY**

Year ended December 31, 2015

	<u>Library Board</u>	<u>Library Levy</u>	<u>Library Employee Benefits</u>	<u>Library Capital Improve- ment</u>	<u>Donations Library</u>	<u>Friends of the Library</u>	<u>Total</u>
Revenues:							
Appropriation from City of Clearwater	\$ -	\$ 67,430	\$ 9,666	\$ -	\$ -	\$ -	\$ 77,096
Intergovernmental	-	13,740	-	-	-	-	13,740
Charges for services	-	1,425	-	-	-	-	1,425
Use of money and property	13	117	-	114	16	1	261
Miscellaneous	<u>2,790</u>	<u>2,460</u>	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>-</u>	<u>6,650</u>
Total revenues	<u>2,803</u>	<u>85,172</u>	<u>9,666</u>	<u>114</u>	<u>1,416</u>	<u>1</u>	<u>99,172</u>
Expenditures:							
Current:							
Personnel services	-	56,679	9,666	-	-	-	66,345
Contractual services	-	11,020	-	-	-	-	11,020
Commodities	<u>2,788</u>	<u>9,551</u>	<u>-</u>	<u>-</u>	<u>604</u>	<u>-</u>	<u>12,943</u>
Total expenditures	<u>2,788</u>	<u>77,250</u>	<u>9,666</u>	<u>-</u>	<u>604</u>	<u>-</u>	<u>90,308</u>
Revenues over (under) expenditures	15	7,922	-	114	812	1	8,864
Fund balances, beginning of year	<u>11,334</u>	<u>16,006</u>	<u>-</u>	<u>30,932</u>	<u>3,900</u>	<u>267</u>	<u>62,439</u>
Fund balances, end of year	<u>\$ 11,349</u>	<u>\$ 23,928</u>	<u>\$ -</u>	<u>\$ 31,046</u>	<u>\$ 4,712</u>	<u>\$ 268</u>	<u>\$ 71,303</u>
Reconciliation of change in net position:							
Revenues over expenditures per above							\$ 8,864
Add acquisition of capital assets							-
Less current year depreciation on capital assets							<u>(3,981)</u>
Change in net position							<u>\$ 4,883</u>